

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4835-02
Bill No.: Perfected HCS for HB 1929
Subject: Gambling; Licenses
Type: #Updated
Date: April 8, 2008
Updated with additional information.

Bill Summary: This proposal allows the Gaming Commissions' executive director to assess administrative penalties against licensees who violate the provisions of chapter 313, RSMo., and places a moratorium on issuances of new excursion gambling boat licenses until January 1, 2010.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Gaming Proceeds for Education	(Unknown)	(Unknown)	\$0
Gaming Commission	(Unknown)	(Unknown)	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Missouri Gaming Commission (GAM)** state language as written in Section 1 would preclude the licensing of the Pinnacle South County Project when it is completed within the next 12-15 months. The value of that pending project, that has already begun construction, is on the order of \$400 million. The project is part of the two-part obligation they have undertaken to develop properties in the St. Louis area. That commitment was originally made in 2005 as a multiple location single project with each property being licensed upon completion of the individual project. The first project, Lumiere Place, in downtown St. Louis was licensed and opened December 19, 2007. Pinnacle also owns the President casino.

The amount of lost tax revenues that might be attributable to the South County project at the time of completion, and final licensing, is indeterminate at this point in time. However, the recent market study completed for MGC estimated that the Lemay-South St. Louis County project would be in the range of 2.9% - 4.7% of the St. Louis regional market place revenues, and a 2.3% - 3.6% patrons/admissions of the regional market.

#GAM assumes this equates to \$3.6 million to \$5.9 million of AGR tax as well as \$247,000 to \$386,000 in admission fees to the state.

#GAM also states the impact of the Sugar Creek property would be in the range of 2.4% - 3.2% of the Kansas City regional market place revenues, and a 1.6% - 2.1% patrons/admissions of the regional market. This is prior to the impact that Kansas gaming will have upon Missouri casinos (estimated to be as high as a 40 percent loss).

#GAM assumes this equates to \$3.1 million to \$4.1 million of AGR tax as well as \$922,000 to \$1.2 million in admission fees.

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ASSUMPTION (continued)

#**Oversight** notes that there are three other riverboat casino properties in Missouri that have estimated capital investment of roughly \$400 million (the estimated capital investment the new property in St. Louis County will have per GAM). Below is a listing of those three other properties and their respective admission fees and gaming tax as provided in the Gaming Commission report for Fiscal Year 2007.

# Casino / Location	Est. Capital Investment	Admission Fees	Gaming Tax
Ameristar / St. Charles	\$431,000,000	\$18,075,906	\$60,049,463
Ameristar / Kansas City	\$359,000,000	\$16,458,642	\$51,302,046
Harrah's / Maryland Heights	\$404,504,580	\$19,092,078	\$65,049,946

#**Oversight** could assume, based upon these numbers, that a \$400 million property would generate \$15 million - \$20 million in admission fees (which would be divided equally between the state and the home dock) and \$50 million - \$65 million in gaming tax (10% of this to the home dock and 90% to the state). However, as indicated below, the size of the capital investment in a casino property may not have an dependable relationship to the amount of fee and tax revenue the property generates.

#The Lumiere Place (*also roughly a \$400 million capital investment*) opened for business on December 19, 2007. The admission fees and gaming tax totals for January and February 2008 for this property, as compared to the other \$400 million properties is shown below.

Casino / Location	Estimated Capital Investment	Jan. & Feb. '08 Admission Fees	Jan. & Feb. '08 AGR	Estimated Jan. & Feb. '08 Gaming Tax
Lumiere Place / St. Louis	\$400,000,000	\$962,537	\$23,665,902	\$4,733,180
Ameristar / St. Charles	\$431,000,000	\$1,390,783	\$46,346,953	\$9,269,391
Ameristar / Kansas City	\$359,000,000	\$1,287,304	\$47,032,053	\$9,406,411
Harrah's / Md. Heights	\$404,504,580	\$1,252,341	\$40,546,312	\$8,109,262

#Therefore, if you annualize (multiply by 6) Lumiere Place's performance for January and February of 2008, you would arrive at \$11.55 million in admission fees and \$28.4 million in gaming taxes, which both lie outside the range estimated above for a \$400 million capital investment project. Therefore, based upon the uncertainty of estimating admission fee and gaming tax revenue on a new casino and based upon the actual construction of a new gaming facility in St. Louis County that is scheduled to be licensed and opened in twelve to fifteen months, **Oversight** will assume an unknown loss of potential revenue in FY 2009 and FY 2010.

ASSUMPTION (continued)

#Oversight is unsure of the size of the potential development in Sugar Creek, or even if the casino could be designed, constructed and opened by January 1, 2010. Oversight is also unsure of the amount of casino patrons the new Lemay and Sugar Creek properties would lure away from existing casinos in Missouri. Therefore, with the many uncertainties regarding the fiscal impact the moratorium may have on Missouri gaming, Oversight will assume an unknown fiscal impact to the state.

Regarding Section 1, based upon the actual construction of a new gaming facility in St. Louis County that is scheduled to be licensed and opened in twelve to fifteen months, **Oversight** will assume an unknown loss of potential revenue both in FY 2009 and FY 2010 (moratorium ends January 1, 2010).

Regarding Section 313.833, **Oversight** assumes the Missouri Gaming Commission already has the power to levy administrative penalties against gambling boat licensees within 313.805(6), and that this proposal simply expands that authority to the commissions' executive director. Therefore, Oversight assumes there will be no fiscal impact resulting from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GAMING PROCEEDS FOR EDUCATION FUND			
<u>Loss</u> - Potential loss of 18% AGR tax revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GAMING PROCEEDS FOR EDUCATION FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>\$0</u>

GAMING COMMISSION FUND

<u>Loss</u> - Potential loss of \$1 per admission fee revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>\$0</u>
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ESTIMATED NET EFFECT TO THE GAMING COMMISSION FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
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HOME DOCK CITIES/COUNTIES

<u>Loss</u> - Potential loss of 2% AGR tax revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.	(Unknown)	(Unknown)	\$0
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<u>Loss</u> - Potential loss of \$1 per admission fee revenue from the inability of the new St. Louis property from acquiring a gaming license and opening to the public.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>\$0</u>
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ESTIMATED NET EFFECT TO HOME DOCK CITIES/COUNTIES	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

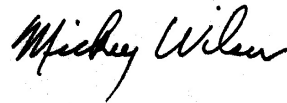
FISCAL DESCRIPTION

This proposal prohibits the issuance of a new license for any excursion gambling boat prior to January 1, 2010.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Gaming Commission
Office of the Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 8, 2008